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SUBJECT: MIDDLE GUINEA - AN ECONOMIC SNAPSHOT

¶1. (U) SUMMARY. A recent trip into Guinea's mountainous central province revealed an impoverished economy dominated by subsistence agriculture, low-value-added artisanship, and imported consumer goods. Banks almost exclusively offer only short-term credit at interest rates over 21%. Chronic lack of electricity, crumbling transportation infrastructure, and an absence of state support of any kind further impede the success of a handful of fledgling agricultural co-ops and other entrepreneurs. END SUMMARY.

GEOGRAPHICAL OVERVIEW

¶2. (U) The nation's Puehl-majority heartland of Middle Guinea has an area of approximately 49,000 square kilometers (18,900 sq. mi.), or twice the size of Maryland. The province itself encompasses almost all of the Fouta Djallon, a mountainous area that begins 40 kilometers inland and rises to an average height of 1,000 meters (3,280 feet). Temperatures range from 30C (86F) to 36C (96.8F) during the day, and can fall to as low as 5C (41F) at night, colder than any other part of the country. Informal estimates calculate Middle Guinea's population at 1.9 million inhabitants, giving the province a density of 38.7 people per square kilometer, roughly that of Wisconsin. The provincial capital of Labe lies 460 kilometers from Conakry, or six hours by car. Other major cities include Mamou, Pita, and Dalaba.

BACKGROUND NOTE: A TRACTOR FOR EVERY VILLAGE

¶3. (U) The catastrophic agricultural reforms of the mid 1970s under the socialist President Sekou Toure (1958-1984) still linger in Middle Guinea's popular imagination, and today invariably work their way into any discussion of economic reform. In that era, Toure attempted to make each village self-sufficient in order to spur an agricultural great leap forward. The regime collectivized community lands and provided each village with a tractor from the Soviet Union or North Korea. Each village was responsible for paying for the tractor with the higher output that would inevitably follow the efficiency gains from mechanization. The government also set up state-owned canning plants to capture the fruits of this progress. However, the largely illiterate rural population had little idea of how to use or maintain modern farming equipment, and when the agricultural boom failed to materialize, communities were often forced to sell livestock, seed stores, and sometimes even cannibalized tractor parts to repay the central government. Many villages were left far worse off economically than before Toure's reform. After 1984, President Lansana Conte abandoned efforts at agricultural modernization, and the population returned to subsistence farming.

TRADITIONAL, SUBSISTENCE AGRICULTURE DOMINATES ECONOMY

¶4. (U) Rice, corn, millet (fonio), peanuts, cassava (manioc), sorghum, potatoes, onions, and tomatoes are the primary crops of Middle Guinea. Traditional farming of predominantly small family plots, usually without the aid of plow-bearing animals and pulled implements, is the main agricultural activity.

15. (U) Some local co-operatives exist in or near the region's larger towns and take advantage of pooled resources to provide limited employment opportunities. A network of rural farmers--the Paysans du Fouta Djallon--have also begun a commercialized agriculture project supported by the French Development Agency, specializing in tomatoes, potatoes, and onions. However, this effort and others like it rely heavily on international assistance and are further hampered by seasonal overproduction, lack of storage and refrigeration, exorbitantly high interest rates, poor transportation infrastructure, and an export ban on food items (septel).

HERDING HAS NOT REACHED A COMMERCIAL SCALE

16. (U) Cattle, sheep, goats, and poultry are the most common livestock in Middle Guinea. As in agriculture, herders continue to use traditional methods when raising their stock. Animals are generally not kept in pens, though sheep and goats often wear stocks around their necks that prevent them from entering fenced-in crop areas. Mamadou Diao Diallo, the head of the Regional Agriculture and Livestock Directorate told Econoff that lack of adequate veterinary care and animal vaccines significantly hinder any progress toward commercialized farming. For example, he said that if a bovine herd is kept together even for a moderate length of time, it faced a significant risk of contracting a disease that could decimate its numbers. Diallo said that slaughterhouses and butcher shops in Middle Guinea are generally owned and run as a co-operative by members of the Agriculture and Livestock Directorate, and added that the Directorate also strives to maintain health and hygiene standards.

17. (U) Though most families own livestock, Diallo said that large grazing animals like cows are not primarily used as a source of food for the family. Rather, families buy them when they have excess money, and sell them when they are in financial need. Thus, these animals are a way to store excess capital outside of a banking system that most Guineans view as untrustworthy. Middlemen purchase one or two animals at a time from individual herders and ship them to Conakry for slaughter and sale when they have acquired enough to fill a single truck.

COMMERCE IS CONFINED TO FOODSTUFFS AND CONSUMER GOODS

18. (U) Since the local farmers and herders generally consume locally grown crops themselves, households must purchase a significant amount of imported rice, sugar, and bread made from imported flour to compliment what they grow. As in Conakry, however, a small number of rice, sugar, and wheat importers effectively control the local market. Some vegetables--especially those seen as condiments, such as peppers, tomatoes, and onions--and many fruits are grown specifically for sale. However, many farmers complain that seasonal harvests usually create a market glut, allowing middlemen to dictate prices.

19. (U) Though official statistics are unavailable, several officials interviewed by Econoff said they believed remittances are a large part of the economy of the interior. Both Moneygram and Western Union, two of the largest money transfer companies in Guinea, have offices in every major city in Middle Guinea, including Mamou, Labe, Pita, and Dalaba.

110. (U) After foodstuffs, imported consumer goods such as clothing from China, Europe, and the United States make up the largest market segment. Individual merchants often personally travel abroad to buy single containers of goods, which they then resell in Guinea. Extended families often pool resources to increase their buying power abroad, and fathers frequently pass their businesses to their sons--and occasionally to their daughters--thus alleviating the need to acquire scarce start-up capital.

THIN MARGINS THREATEN ARTISAN ENTERPRISES

¶11. (U) Artisans, like farmers and herders, also continue to use traditional methods for production. In the Fouta Djallon, traditional artisan trades include weaving, soap-making, carpentry, cloth-making, tanning, indigo-dyeing, jewelry-making, and pottery. Though many workshops are small and run by one or two family members such as a father and son or mother and daughter, extended families occasionally run larger-scale operations when manufacturing textiles or furniture.

¶12. (U) Most artisans operate on very thin profit margins, much of which is channeled into buying food and other basic necessities for their immediate and extended families. Several artisan co-operatives told Econoff that expanding the scale of their operations would reduce costs; however, almost all complained of the difficulty of obtaining credit, either for expanding an existing business or starting a new business. Frequently, workshop owners--like farmers and herders--said interest rates were too high and the loan periods too short to be able to afford on the thin operating margins of their various trades.

¶13. (SBU) COMMENT: Several co-operatives throughout the region rely on international aid for infusions of capital for start-up or expansion. The German foreign aid agency GTZ is very active in promoting self-sufficient workshops in the region. However, the directors of all the local co-operatives worried that many new businesses started by GTZ would fail after the projects ended, as even the smallest disruption could put them out of business. END COMMENT.

BANKS PROVIDE MAINLY HIGH-INTEREST, SHORT-TERM LOANS

¶14. (U) Four of Guinea's national commercial banks operate in Middle Guinea: the International Bank for Commerce and Industry in Guinea (BICIGUI), Societe Generale des Banques en Guinea (SGBG), Ecobank, and the First International Bank (FIB). An official with BICIGUI in Labe, Soumaoro Kaba, told Econoff that most of the general population spurned commercial banks after a currency changeover in the mid-1980s nearly bankrupted many local families. "After [the crisis]," he said, "most people won't open an account unless they feel that they will be robbed at home." In fact, he said that most banks serve essentially as ways for merchants to move cash from their home cities to Conakry to make purchases, or as a place to stockpile cash for exchange rate speculation.

¶15. (U) In terms of financial products, Kaba said that most banks offer only short or medium-term loans, the maximum for which is 36 months. At BICIGUI, the interest rate for all loans is 21.26%. He added that BICIGUI offers various overdraft and short-term loan services, and is the only bank in the city that operates an ATM.

CENTRAL BANK "MERELY A PAYMASTER"

¶16. (U) In addition to the commercial banks in Labe, the Central Bank of the Republic of Guinea (BCRG) also has a branch in the provincial capital. Talhatou Diallo, the chief accountant of the branch, said that the BCRG branch currently does not play a regulatory role in the region, and only performs its role as overseer of the Guinean treasury. Therefore, he said that the main purpose of the BCRG is to act as government paymaster, collecting revenue from the regional government organs, such as Customs, and making payments to civil servants.

"RURAL CREDIT AGENCY NOT SUITABLE FOR AGRICULTURE"

¶17. (U) Apart from commercial banks, only the rural loan agency Credit Rural offers loans to individual borrowers for microprojects. The agency has roughly GNF 3.4 billion (\$708,000) for lending in Mamou. Submitted projects go before a board for approval. Mamadou Alpha Diallo, the director for the agency in Mamou, said that project standards are "very strict," and that only a small number are approved. Most loans, he said, are medium-term or long-term loans, between 12-24 months. The interest rates for his agency

range between 3.5% and 4% per month (42%-48% per year nominally) for agricultural equipment to 24% per year for other purchases. Diallo said the agency has about 11,000 members in the Mamou region who both deposit money and take loans.

¶18. (U) Diallo said that collateral is not used to secure the agency's loans. Instead, if a small loan is not repaid, that individual's name is simply put on a blacklist. For larger loans, however, the person in default's entire neighborhood is blocked from receiving loans. "In that way," he said, "the pressure--and help--of your neighbors is focused on the problem." In his opinion, this system constituted one of the agency's "secrets of success."

¶19. (U) When told that most farmers and herders believe that the agency's short-term loans are not generally suitable for financing larger-scale agricultural or livestock ventures, Diallo said that Credit Rural has assisted several farmers in the past. He did admit that "these projects are not our main focus." However, he said Credit Rural had assisted several individuals to buy and raise livestock six months in advance of Tabaski, the Muslim festival of sacrifice. When the borrowers sold the animals shortly before the Tabaski feast, he said they earned a significant profit.

¶20. (U) Given the relatively few credit options available to farmers and herders, many involved in the agricultural sector lamented the lack of a state-sponsored agricultural bank. Several people told Econoff that such an institution exists in neighboring Mali, and that state subsidies to the bank assist in providing long-term, low-interest options to farmers operating on thin margins.

CRUMBLING INFRASTRUCTURE MAJOR IMPEDIMENT TO GROWTH

¶21. (U) The transport infrastructure in Middle Guinea is currently inadequate and cannot support the growth of agriculture, livestock, or industry in the region. The only paved roads in the region are the national Conakry-Kankan highway and its northern Mamou-Labe extension, which are pitted with holes and patched with rocks and soil. Contacts told Econoff that transportation fees are high since trucks traveling these stretches are more prone to wear, tear, and outright breakdown.

¶22. (U) Local officials seldom grade or maintain other roads, making the area between Labe and the Senegalese border almost completely inaccessible to passenger cars, let alone tractor trailers. Several farmers commented that the area north of Labe is prime for onions, cotton, and other crops, but transport costs render farms that start there unprofitable.

ELECTRICITY SUPPLY INADEQUATE FOR REGION

¶23. (U) As in the rest of Guinea, electricity is scarce and available for only limited periods in any given 24-hour period. Middle Guinea operated on an isolated power grid for many years, powered by the 3.4 MW Kinkon dam built by the Chinese in the mid-1960s. However, the completion of the Garafiri dam in the late 1990s connected the Fouta Djallon to Guinea's main southwestern grid centered on Conakry. Additionally, a small microdam that remains unconnected to the master grid supplies parts of the city of Dalaba.

¶24. (U) The dam's main engineer, Saidio Leno, told Econoff that the government has neglected upkeep on many hydroelectric projects. The road to the dam--essentially an unmarked dirt trail through a military installation--was unmarked and nearly impassible. (NOTE: The Embassy vehicle blew a tire after running over a four-inch nail that lay among the considerable amount of metal debris all along this road. END NOTE.) Equipment along the top of the dam, such as hoists, was rusted and appeared non-functional. The lights along the dam had no bulbs and were in some cases stripped of their internal wiring. Like the Garafiri dam, Kinkon does not have a cellular telephone tower near its generator station, effectively cutting it off from all communications with the rest of the country.

¶25. (U) Leno further related that the government could double the

generation capacity of Kinkon if it desired, but so far had expressed little interest in actually doing so. Because the dam generates electricity by piping reservoir water over about one kilometer to a small generation station located more than 800 meters below the dam, the electricity utility could add a second pipeline and station. This new station could similarly generate 3.4 MW. "I know it's not much," he told Econoff, "but it could help the region." He said that he has given the same presentation and information to many visiting ministers. "They make promises, but they never do anything."

¶26. (U) Currently, Kinkon supplies only the region during the day. Because the electricity it supplies is inadequate for the province's demands, connected cities and villages receive power according to a rotation schedule. At night, when the grids are linked, the electricity utility follows a similar schedule in supplying cities on the grid. However, residents complained to Econoff that even when electricity is supplied, its voltage is often insufficient for most lights and appliances.

CELL COVERAGE LIMITED OUTSIDE CITIES

¶27. (U) Guinea's five major telecoms--Sotelgui, Intercel, Areeba, Orange, and Cellcom--are represented to differing degrees throughout, the province. All five have penetrated and have significant coverage in the region's major cities. Coverage in outlying areas deteriorates quickly, and large swaths of territory remain without telephones. However, each company has plotted a different path to universal coverage. Sotelgui plans to move radially outwards from cities into the outlying subprefectures, though a company spokesperson claimed that the lack of electricity in many areas prevented service expansion. By contrast, Areeba and Cellcom are currently focusing on achieving a continuous signal along major highway links. All companies claimed to be doing well financially.

COMMENT

¶28. (SBU) In spite of its immense agricultural and hydroelectric potential, Middle Guinea largely remains economically underdeveloped mainly due to state neglect. As the head of the Chamber of Agriculture in Labe wryly noted, "Politics in Guinea starts at the Port of Conakry and ends at [the Conakry city limits of] Kilometer 136. They don't even know we're here." For decades, the GoG has failed to fund highway repair, agricultural subsidies, even hydroelectric expansion projects that could directly benefit Conakry. While more creative solutions for the region would include public-private partnerships that are not necessarily GoG-run projects--an agricultural credit institution, for example--it seems clear that the presence or absence of the state will remain one of the main factors in the region's future development. END COMMENT.

RASPOLIC